

May 21, 2001

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Dear Mr. Craig:

In accordance with our contract, REVPAR International has completed our Category 4 Project Validation Assessment at Fort Hamilton, New York in regard to official lodging demand verification.

The entire study and its conclusions are based upon our present knowledge and information obtained from Army Lodging, as well as that obtained during our May 2001 site visit. All data provided by Army Lodging and/or Fort Hamilton is assumed to be accurate and true, unless otherwise noted.

As in all studies of this type, the conclusions reached do not take into account, or make provisions for, the effect of any sharp rise or decline in local or general economic or political conditions not presently foreseeable. Any estimated results are based on competent and efficient management of the lodging facility, presently and prospectively, comparable to Army Lodging Standards. Any projections are based on estimates and stated assumptions, which are inherently subject to uncertainty and variation, depending upon evolving events; accordingly we do not represent them as results that will actually be achieved.

We have no obligation, unless subsequently engaged, to update this study or revise the estimated results because of events and transactions occurring subsequent to the receipt of the requested information.

This study has been prepared for your use and guidance in assessing the Core Official Lodging Requirement at Fort Hamilton, as defined for this project at the onset.

We would be pleased to hear from you if we can be of further assistance in the application and/or interpretation of our findings and conclusions. We appreciate the opportunity to be of service to you, and look forward to hearing from you soon.

Sincerely,

REVPAR International, Inc.

(signed)

EXECUTIVE SUMMARY

Current Lodging Inventory

Official lodging rooms at Fort Hamilton totals 88 units contained in a variety of rooms and suites. The accommodations are located in Building 109 – Adams and Building 110 – Jefferson. All but six rooms contain a private bath. Eighteen rooms in Building 109 and fifteen rooms in Building 110 are classified as suites, and include a microwave and refrigerator; however, none of the rooms have actual kitchen facilities. A detailed unit breakdown is included on Chart 1 in the Addenda.

Historical Utilization and Occupancy

The following table summarizes the volume of room night demand occurring at Fort Hamilton over the past three and a half years.

HISTORIC LODGING UTILIZATION AND OCCUPANCY Official Room Night Demand					
	FY 1998	FY 1999	FY 2000	FYTD 2000 March	FYTD 2001 March
Official Accommodated Demand	15,247	18,116	14,868	7,603	6,469
Official Unaccommodated Demand	141	764	45	--	20
Total Official Demand	15,388	18,880	14,913	7,603	6,489
Percent Change in Official Demand	--	22.7%	(-21.0%)	--	(-14.7%)
Unofficial Demand	6,145	6,639	9,718	4,689	3,462
Grand Total Demand	21,533	25,519	24,631	12,292	9,951
Percent Change in Total Demand	---	18.5%	(-3.5%)	--	(-19.1%)
Source: Fort Hamilton Lodging Administration; Compiled by REVPAR International, Inc.					

According to Lodging Administration, the Lodging mission at Fort Hamilton is to provide accommodations for official travelers to Fort Hamilton, including a number of training programs at Fort Hamilton that are held throughout the year. The most significant of these programs is the Joint Special Operations Medical Training Center (JSOMTC) from Fort Bragg, NC, which holds four classes per year with an average of 35 to 40 rooms for a period of 34 days, which by itself accounts for 4,800 to 5,500 room nights annually. Other official visitors to Fort Hamilton include the United States Army Band, the 389th Army Band, the U.S. Navy Band North East, the 344th Combat Support Unit (HUS), the German Armed Forces, and visitors to the Corps of Engineers.

As the table above indicates, official and total room night demand has fluctuated over the past three full fiscal years. On a year-to-date basis, room night demand continues to decline.

TDY demand increased between 1998 and 1999, but then declined in 2000 and continues to decline in 2001. Part of the reason for the decline is probably cyclical, since much of the visitation on post is dependent upon special events. Because Fort Hamilton is not readily accessible by public transportation from the New York Metropolitan Area (at least 45 minutes to Lower Manhattan via subway), official travelers authorized to use Fort Hamilton Lodging are less inclined to stay at Fort Hamilton. Additionally, the declining condition of the buildings is said to be a deterrent to visitors who have other options in the metropolitan area.

PCS demand also declined between 1998 and FYTD 2001. Management attributes this decline to shorter average

length of stay for in-bound military PCS moving to permanent housing. Permanent on-post housing are being turned more quickly than in the past – thus, decreasing the length of stay in Lodging. This trend is expected to continue into the future. In general, PCS families occupy 5 to 10 rooms per night with an average length of stay of 30 days.

The records show very few Certificates of Non-Availability (CNA), and it appears that official visitors who cannot be accommodated on post – many of whom are groups - make other arrangements without receiving a CNA. As a consequence, potential official room night demand that goes unaccommodated is likely not adequately tracked or counted. To the extent that this practice occurs, official lodging demand may be under-represented in our projections.

Separately, unofficial room night demand increased between FY 1998 and FY 2000, offsetting some of the declines in TDY and PCS demand. Unofficial demand accommodated on post is significant and accounts for 30 to 40 percent of the annual room night demand over the past few years. To this end, the installation does not find it difficult to back fill their lodging inventory with this unofficial demand during slower periods. However, FYTD 2001 performance also shows this segment of demand decreasing along with the other two segments, perhaps symptomatic of the facility condition.

Charts 2, 3, and 4 in the Addenda show further breakdowns of the foregoing.

MARKET SEGMENTATION (my estimates from FY2000 data sent to you)

Overall market segmentation of room night demand at Fort Hamilton is estimated at 46 percent TDY, 14 percent PCS and 40 percent Other (Unofficial) for FY 2000. The following table summarizes key characteristics of each demand segment based on interviews with lodging personnel at Hamilton.

FY 2000 Market Segmentation of Official Room Night Demand			
Demand	TDY	PCS	Unofficial
% of Total Demand	46%	14%	40%
Market Segmentation			
Training (JSOMTC)	45%	--	--
Military/Civilian Official Guests	55%	--	--
Families	--	100%	--
Special events, Hospital, Transient, Retirees	--	--	100%
Average Length of Stay (Days)	15 days	30 days	3 days
14 days or less	55%		100%
More than 14 days	45%	100%	
Source: Fort Hamilton Lodging Administration, compiled by REVPAR International, Inc.			

As previously noted, the largest requirement for accommodations on post is the JSOMTC, representing 4,800 to 5,500 room nights. Class sizes range from 40 to 80 persons, and we are told that this group generally occupies Building 110, with many – if not most – rooms occupied by two persons.

The balance of TDY demand comes from military bands, sports teams, reserve groups, foreign visitors such as the German Armed Forces, and travelers to official events in the metropolitan area. The average length of stay among these various guests is two to four days.

(Official) Temporary Duty Personnel (TDY)

- Principal sources of TDY include medical training (estimated at 45% of total segment demand) and military/civilian official guests (estimated at 55% of total segment demand).
 - This source of business has been declining.
- Average length of stay is 34 days for training and two to four days for all other guests
- Undercounting of demand potential may be significant.

(Official) Permanent Change of Station (PCS)

- Principal sources of PCS demand include families transferring in and out.
- This source of business has also declined over the past two years, due to better management of residential turnover; this trend is expected to stabilize at current levels over the foreseeable future.
- Army Stationing and Installation Plan (ASIP) reports indicate that the base population is projected to remain relatively stable over the next 5 years; as a result, PCS levels are projected to remain stable going forward.

(Official) Certificates of Non-Availability (CNA)

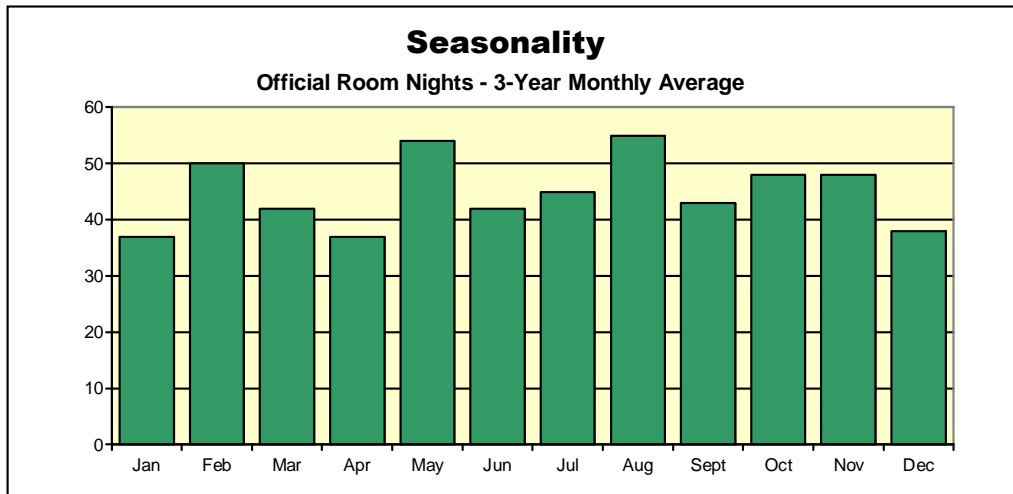
- Unaccommodated official demand occurs primarily when there are insufficient rooms to house an entire group that needs to be placed together, or when the facility is nearly full (generally May and August).
- Reported CNAs are minimal but are apparently not being issued or tracked consistently when larger groups are turned away.

Unofficial Demand

- Unofficial demand totaled 6,145 room nights in FY 1998, 6,639 room nights in FY 1999, and 9,718 room nights in FY 2000.
- Unofficial demand consists primarily of families attending events on post, followed by retirees, hospital patients and visitors, and unofficial transient visitors passing through.
- Unofficial demand is not included in our projections or recommendations.

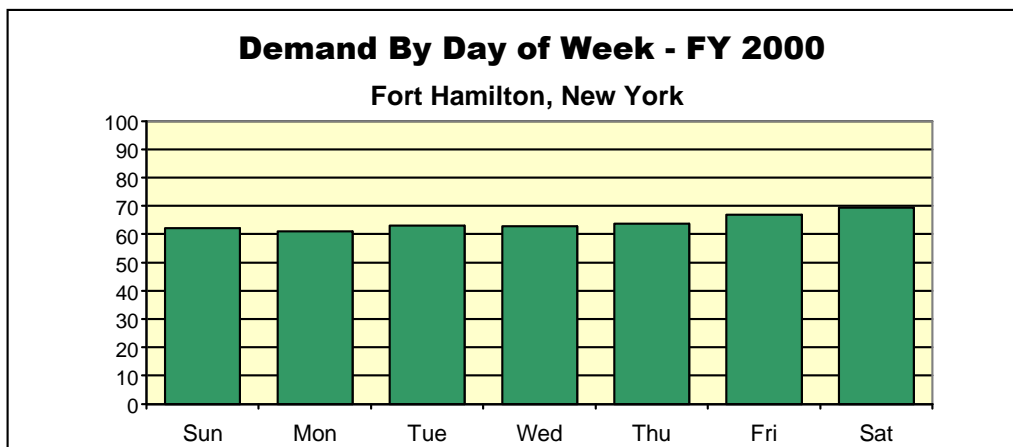
Seasonality (based on three-year average)

Based on three-year average of lodging inventory, highest occupancies are achieved in May and August, followed by February, October and November. These periods correspond with the JSOMTC programs. Slowest periods tend to be December and January because classes and travel are curtailed over the holidays. According to management, the facility is rarely – if ever - 100% occupied but may be 85% to 90% occupied during May and August.



Day of Week Occupancy Trends

Room night demand is surprisingly consistent throughout the week as the table below indicates. A slight increase in demand on the weekends is due to an increase in unofficial visitors. The following table depicts occupancy by day of week, based on a 12-month sampling of records from FY 2000.



Double Occupancy

The majority of guest rooms are two-bedded, double occupancy rooms. These rooms are listed and sold as two spaces and each guest is separately registered; however, the historical room night demand numbers are counting these as one occupied room (as opposed to two-occupied beds). Some guest rooms have three beds, and there are reportedly one or two rooms that include up to six single beds. To the extent that guests may be sleeping three or four to a room, they are under-counted in our projections because this information is not adequately tracked through occupancy reports.

We have been advised that the Army Lodging standard of one room per guest does not apply when orders specifically call for double occupancy. Because of this, our projections assume similar usage trends.

Future Growth of Room Night Demand

According to our discussions with post personnel, there are no definitive plans for additional activities on post as of the date of this report that would cause an increase in room night demand into the future.

Having said that, and although occupied room night demand has declined over the past 24 months, we believe that increased official utilization and therefore higher occupancies could be achieved if the existing lodging facilities were improved through renovation, refurbishment or replacement. In other words, officials who are presently not using the facilities because of their condition would, in fact, consider the facilities if they were improved.

As a result of the above factors, our projections of the Official Core lodging Requirement rely upon a month-by-month and year-by-year analysis of historical figures, where we placed greater emphasis on the higher usage rates assuming that the quality level of the lodging inventory at Fort Hamilton will improve in the future.

As in the past, the majority of demand will be TDY demand. We expect that 80 percent of all official demand will be TDY demand, and approximately 45 percent of this demand will qualify as extended stay. Additionally, all of the PCS demand should be accommodated in extended stay quarters.

SUMMARY AND RECOMMENDATIONS

Basis for Projections

- Interviews with base personnel indicate that the current level of utilization is likely to continue over the next three years, but could increase with improved facilities and better marketing.
- Average length of stay is two to three days, with the exception of PCS guests and JSOMTC training that requires up to 34 days and 30 days, respectively.

Recommendation

Due to the demand pattern at this facility, we have evaluated the historical utilization patterns based on 10 months (eliminating December and January). We recommend that the property be sized to reflect these utilization trends. Our conclusions are shown at 90 percent, per the Core Official Lodging Requirement. (See Chart 5 in the Addenda).

Core Official Lodging Requirement (90%)

- **45 total accommodations**, allocated between double rooms and family suites as follows
 - **18 double/double rooms**
Due to the availability of meals on post, double rooms should include a microwave/refrigerator as a minimum, or should have a kitchenette or access to a common kitchen area.
 - **27 extended-stay suites with kitchen facilities**

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Addenda

(Please refer to attached Excel file)

1. Lodging Inventory (Room Types)
2. Summary of Average Lodging Demand (FY 98 – FY 01)
3. Chart of Official Room Night Demand by Month
4. Chart of Average Daily Room Night Demand
5. COLR Summary Worksheet